MONTANA SENATE
2007 LEGISLATURE

ROLL CALL

TAXATION

DATE 3-2-07

NAMES	PRESENT	ABSENT	EXCUSED
SEN. JERRY BLACK (R)	✓		
SEN. JEFF ESSMANN (R)	✓		
SEN. KELLY GEBHARDT(R)	✓		
SEN. KIM GILLAN (D)	✓		
SEN. DAN HARRINGTON (D)	✓		
SEN. CHRISTINE KAUFMANN (D)	✓		
SEN. SAM KITZENBERG (D)	✓		
SEN. JIM PETERSON (R)	✓		
SEN. TRUDI SCHMIDT (D)			✓
SEN. ROBERT STORY (R)	✓		
SEN. JIM ELLIOTT (D) CHAIRMAN	✓		
LEE HEIMAN, LSD	✓		
LOIS O'CONNOR, COMMITTEE SECRETARY	✓		

SENATE STANDING COMMITTEE REPORT

February 2, 2007

Mr. President:

We, your committee on **Taxation** recommend that **Senate Bill 316** (first reading copy -- white) **do pass as amended.**

Signed: ______________________
Senator Jim Elliott, Chair

And, that such amendments read:

1\. Title, line 7.
Strike: "THROUGH EMINENT DOMAIN PROCEEDINGS"
Insert: "FOR A PUBLIC USE"
Following: "STATE"
Insert: "OR A LOCAL GOVERNMENT"

2\. Page 3, line 3.
Strike: "because of an eminent domain proceeding"
Insert: "for a public use described in 70-30-102"

3\. Page 3, line 4.
Following: "state"
Insert: ", a county, or a municipality,"
Strike: "proceeding"
Insert: "reduction in acres"

- END -

Committee Vote:
Yes 10, No 0
Fiscal Note Required ___

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COMMITTEE FILE COPY

TABLED BILL

The **SENATE TAXATION COMMITTEE** TABLED **SB 353**, by motion, on **Friday, February 2, 2007**.

Lois O'Connor
(For the Committee)

KJ
(Secretary of the Senate)

/ 2-2
(Time) (Date)

February 2, 2007 Lois A. O'Connor, Secretary Phone: 444-4772

MONTANA STATE SENATE
2007 LEGISLATURE

TAXATION

ROLL CALL VOTE

DATE 2-2-07 BILL NO. SB-353 NUMBER 1

MOTION: Do Pass

failed 4-6

NAME	AYE	NO
SEN. JERRY BLACK (R)		✓
SEN. JEFF ESSMANN (R)	✓	
SEN. KELLY GEBHARDT(R)	✓	
SEN. KIM GILLAN (D)		✓
SEN. DAN HARRINGTON (D)		✓
SEN. CHRISTINE KAUFMANN (D)		✓
SEN. SAM KITZENBERG (D)		✓
SEN. JIM PETERSON (R)	✓	
SEN. TRUDI SCHMIDT (D)		
SEN. ROBERT STORY (R)	✓	
SEN. JIM ELLIOTT (D) CHAIRMAN		✓
	4	6

MONTANA STATE SENATE
2007 LEGISLATURE

TAXATION

ROLL CALL VOTE

DATE 2-2-07 BILL NO. SB-353 NUMBER 2

MOTION: TABLE

Reverse Vote 6-4

NAME	AYE	NO
SEN. JERRY BLACK (R)	✓	
SEN. JEFF ESSMANN (R)		✓
SEN. KELLY GEBHARDT(R)		✓
SEN. KIM GILLAN (D)	✓	
SEN. DAN HARRINGTON (D)	✓	
SEN. CHRISTINE KAUFMANN (D)	✓	
SEN. SAM KITZENBERG (D)	✓	
SEN. JIM PETERSON (R)		✓
SEN. TRUDI SCHMIDT (D)		
SEN. ROBERT STORY (R)		✓
SEN. JIM ELLIOTT (D) CHAIRMAN	✓	
	6	4

SENATE PROXY FORM

According to Senate Rule 30-70 (13) (f) , a committee member may vote by proxy using a standard form.

PROXY VOTE

I, the undersigned, hereby authorize Senator Elliott

to vote my proxy on any issue before the Senate Tax

Committee

held on Feb 2 '07, 2007.

SB-316 - Do Pass Amended - yes
SB-353 - Table - yes

Kim J Gillan
SENATOR
STATE OF MONTANA

SENATE PROXY FORM

According to Senate Rule 30-70 (13) (f) , a committee member may vote by proxy using a standard form.

PROXY VOTE

I, the undersigned, hereby authorize Senator Story

to vote my proxy on any issue before the Senate Taxation

Committee

held on Feb, 2007.

SB 316 - Aye
SB 353 - Aye

SENATOR
STATE OF MONTANA

SENATE PROXY FORM

According to Senate Rule 30-70 (13) (f) , a committee member may vote by proxy using a standard form.

PROXY VOTE

I, the undersigned, hereby authorize Senator Elliot

to vote my proxy on any issue before the Senate Taxation

Committee

held on Feb 2, 2007.

332 - yes
353 - No
231 - yes on amend. (disussed) yes on bill
356 - yes
316 - yes

SENATOR
STATE OF MONTANA

MONTANA STATE SENATE
2007 LEGISLATURE

VISITOR REGISTER

TAXATION

DATE February 2, 2007

BILLS BEING HEARD TODAY Executive Action

PLEASE PRINT

NAME	PHONE	REPRESENTING	BILL #	SUPPORT	OPPOSE

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

heard 1/31/07

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	SB0316	**Title:**	Clarify taxation of agricultural parcels reduced by state eminent domain
Primary Sponsor:	Elliott, Jim	**Status:**	As Introduced

☐ Significant Local Gov Impact ☐ Needs to be included in HB 2 ☐ Technical Concerns

☐ Included in the Executive Budget ☐ Significant Long-Term Impacts ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
State Special Revenue	$0	$0	$0	$0
Revenue:				
General Fund	($105)	($105)	($86)	($89)
State Special Revenue	($7)	($7)	($5)	($6)
Net Impact-General Fund Balance	($105)	($105)	($86)	($89)

Description of fiscal Impact:
This bill will allow agricultural land less than 20 acres to continue to qualify as agricultural land if the reduction in acreage was due to eminent domain proceedings and the parcel had not been further split.

FISCAL ANALYSIS

Assumptions:

1. Based on a report prepared for the legislative environmental quality council, the state condemned an annual average of 30 property parcels between 1993 and 1997. The number of these parcels which were 20 acre agricultural land is unknown.
2. Assuming that one parcel a year will meet the bill criteria of a 20 acre agricultural parcel reduced in size due to eminent domain, the revenue impact will be the difference in taxable value if the parcel was assessed as Class 3 agricultural land and Class 4 tract land.
3. An analysis was done on agricultural and tract land records from the Department's 2006 property database system where both acreage and taxable value were recorded. The analysis found the average per acre

value for Class 3 non-qualified agricultural land (20-160 acres) was $344.20 versus an average of $418.41 per acre value for Class 4 tract land.

4. Section 2 indicates this bill will apply to property tax years beginning after December 31, 2006. Growing the average taxable value per acre based on HJR 2 growth rates for Class 3 and Class 4, the estimated average value per acre value will be as follows:

TY	FY	Class 3	Class 4
2006	2007	$344.20	$418.41
2007	2008	$355.01	$431.55
2008	2009	$365.91	$431.26
2009	2010	$376.92	$444.24
2010	2011	$388.27	$457.61

5. Assuming each year a single parcel was reduced due to condemnation from 20 acres to 19 acres, the taxable value loss will be $1,099 (19 x $431.55 – 20 x $355.01) in FY 2008, $1,099 (19 x $431.26 – 20 x $365.91) in FY 2009, $902.07 (19 x $444.24 – 20 x $376.92) in FY 2010, and $929 (19 x $457.61 – 20 x $388.27) in FY 2011.
6. General fund revenue is generated by the 95 statewide mill levy and the 1.5 college of technology mill levy. The combination of these mills yields a 95.54 statewide mill levy. General fund revenue loss will be $105 ($1,099 x 0.009554) in FY 2008, $105 ($1,099 x 0.009554) in FY 2009, $86 ($902 x 0.009554) in FY 2010, and $89 ($929 x 0.009554) in FY 2011.
7. University system revenue is generated by 6 mills. University system revenue loss will be $7 ($1,099 x 0.0006) in FY 2008, $7 ($1,099 x 0.006) in FY 2009, $5 ($902 x 0.006) in FY 2010, and $6 ($929 x 0.006) in FY 2011.
8. The average local government and schools mill levy in calendar year 2006 was 425.3. Local government and schools mill levies grew 4.15% annually from calendar year 2000 through calendar year 2006. It is assumed that this rate of growth will continue. The statewide local government and schools mills levy revenue loss will be $486 ($1,099 x (0.425 x 1.0415)) in FY 2008, $507 ($1,099 x (0.425 x 1.0415^2)) in FY 2009, in FY 2009, $433 ($902 x (0.425 x 1.0415^3)) in FY 2010, and $465 ($929 x (0.425 x 10415^4)) in FY 2011.
9. The administrative expenses anticipated in association with this bill are minimal and the Department will absorb these costs within the existing budget.

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Fiscal Impact:				
FTE	0.00	0.00	0.00	0.00
Revenues:				
General Fund (01)	($105)	($105)	($86)	($89)
State Special Revenue (02)	($7)	($7)	($5)	($6)
TOTAL Revenues	($112)	($112)	($91)	($95)

Effect on County or Other Local Revenues or Expenditures:

1. The statewide local government and schools mills levy revenue loss will be $486 in FY 2008, $507 in FY 2009, in FY 2009, $433 in FY 2010, and $465 in FY 2011.

CO	1-31-07	[signature]	1/29/07
Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*

Fiscal Note 2009 Biennium

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Bill #	SB0353
Title:	Tax deductibility of gasoline and diesel purchases for individual income taxes
Primary Sponsor:	Laible, Rick
Status:	As Introduced

- ☐ Significant Local Gov Impact
- ☑ Needs to be included in HB 2
- ☐ Technical Concerns
- ☐ Included in the Executive Budget
- ☐ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Expenditures:				
General Fund	$65,940	$109,177	$109,177	$109,177
Revenue:				
General Fund	($15,789,931)	($33,181,728)	($33,637,031)	($34,096,981)
Other	$0	$0	$0	$0
Net Impact-General Fund Balance	($15,855,871)	($33,290,905)	($33,746,208)	($34,206,158)

Description of Fiscal Impact: This legislation would provide an individual income tax deduction for motor fuel expenses incurred in nonbusiness use of light vehicles in Montana.

FISCAL ANALYSIS

Assumptions:

1. The proposed legislation provides an individual income tax deduction up to $1,500 ($3,000 for married filing jointly) for motor fuel expenses incurred in the nonbusiness use of light vehicles in Montana. This deduction is not limited to taxpayers who itemize; taxpayers who take the standard deduction can also claim the motor fuel deduction in addition to the standard deduction. The deduction is phased out for taxpayers with adjusted gross income of over $55,000 by reducing the deduction by $100 for each $1,000 over $55,000. Therefore, taxpayers with adjusted gross income over $69,000 ($84,000 if married filing jointly) would not benefit from the deduction.

2. This fiscal note assumes that out-of-state taxpayers will not claim this credit because their fuel expenses are not incurred for personal travel within the state. Therefore, only full-year and part-year resident taxpayers were included in the fiscal impact.
3. The Bureau of Labor Statistics reports that the average expenditure on gasoline and motor oil in 2004 per individual was $1,598. For the purposes of this fiscal note, it is assumed that each taxpayer will claim the full allowable deduction.
4. Using these assumptions, a tax simulation model estimated the impact of the proposed legislation using 2005 taxpayer data as if this legislation was in place during the 2005 tax year. This simulation program estimated that the proposed deduction would have reduced tax liability by $32,714,557 during the 2005 tax year.
5. The estimated cost in 2005 was multiplied by the HJR 2 population growth rates to account for the growth in Montana residents through the fiscal years covered by this fiscal note. The fiscal impact of this legislation before adjusting for vehicle ownership is estimated to be ($33,983,882) in tax year 2007, ($34,451,700) in tax year 2008, ($34,922,790) in tax year 2009, and ($35,400,321) in tax year 2010.
6. Assuming that tax year 2007 revenues are received 47.9% in FY 2008 and 52.1% in FY 2009 (HJR 2) and similarly for the following fiscal years, the fiscal impact of this legislation is estimated to be ($16,278,279) in FY 2008, ($34,207,967) in FY 2009, ($34,677,352) in FY 2010, and ($35,151,527) in FY 2011.
7. Data from the 2000 Census indicate that 6.1% of Montana households do not have a vehicle available. For the purposes of this fiscal note, it is assumed that these households will not claim a deduction. However, vehicle ownership tends to be related to income and the number of drivers, and households without vehicles tend to be lower income or elderly who will pay less or no income tax. Therefore, it is assumed that the impact on the estimated reduction in fiscal year tax liability is half of 6%, or a 3% reduction. Therefore, the net fiscal impact of this legislation is estimated to be ($15,789,931) in FY 2008 (($16,278,279) x (100% - 3%)), and ($33,181,728) in FY 2009, ($33,637,031) in FY 2010, and ($34,096,981) in FY 2011 due to similar adjustments.
8. The Department of Revenue estimated it will require two additional auditors to verify the credit amounts claimed by taxpayers. The two FTE would start midway through FY 2008 and would cost $65,940 in FY 2008 and $109,177 in FY 2009 through FY 2011.

Fiscal Impact:	**FY 2008 Difference**	**FY 2009 Difference**	**FY 2010 Difference**	**FY 2011 Difference**
FTE	1.00	2.00	2.00	2.00
Expenditures:				
Personal Services	$48,642	$97,285	$97,285	$97,285
Operating Expenses	$5,498	$11,892	$11,892	$11,892
Equipment	$11,800	$0	$0	$0
TOTAL Expenditures	$65,940	$109,177	$109,177	$109,177
Funding of Expenditures:				
General Fund (01)	$65,940	$109,177	$109,177	$109,177
TOTAL Funding of Exp.	$65,940	$109,177	$109,177	$109,177
Revenues:				
General Fund (01)	($15,789,931)	($33,181,728)	($33,637,031)	($34,096,981)
TOTAL Revenues	($15,789,931)	($33,181,728)	($33,637,031)	($34,096,981)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($15,855,871)	($33,290,905)	($33,746,208)	($34,206,158)

Effect on County or Other Local Revenues or Expenditures:

1. None.

Long-Range Impacts:

1. The proposed legislation will continue to have negative fiscal impact in future fiscal years not covered by this fiscal note.

Technical Notes:

1. Section 1 (2) reduces the allowable deduction for every $1,000 of adjusted gross income or combined adjusted gross income over $55,000. The legislation does not specify whether the combined adjusted gross income limit should be used for married filing separately taxpayers, who also report combined income on their tax forms. This fiscal note assumes that the combined adjusted gross income limit is only applicable to married filing jointly, which treats married filing separately taxpayers as though they were filing as single taxpayers. This assumption is consistent with the treatment of married filing separately taxpayers for other deductions and credits.

		KD Gurek	1/31/07
Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*